

MICHIGAN AERONAUTICS COMMISSION

Minutes of Meeting

Lansing, Michigan

July 28, 2004

Pursuant to Section 31 of Act 327 of the Public Acts of 1945, the Commissioners of the Michigan Aeronautics Commission (MAC), created by said act, met in the Aeronautics Auditorium, Bureau of Multi-Modal Transportation Services, 2700 E. Airport Service Drive, Lansing, Michigan, on Wednesday, July 28, 2004, commencing at the hour of approximately 10:00 a.m.

Members Present

Sidney Adams, Jr., Chairman
Dean Greenblatt, Vice Chair
Lowell E. Kraft, Commissioner
Eric V. Smith, Commissioner
Terry Everman, Commissioner
Gloria J. Jeff, Commissioner
Rob Abent, MAC Director
Jim Shell, Legal Counsel
Barbara Burris, Analyst

Members Absent

John Ort, Commissioner
Ken Heaton, Commissioner
Mindy Koch, Commissioner

Staff Present

Leon Hank, Executive Division
Pauline Misjak, Aviation Services Division
Matt Brinker, Aviation Services Division
David Baker, Airports Division
Rick Hammond, Airports Division
Ron DeCook, Governmental Affairs

Also Present

Sean Brosnan, Willow Run Airport
Mike Trout, Flint-Bishop Airport
Jon Bayless, Grand Ledge Abrams
Dan Otto, Capital City Airport
Larry Bowron, W.K. Kellogg Airport
William Gehman, Mead & Hunt
Jim Downer, CAP

A list of all others present is attached to the official minutes.

I. OPENING REMARKS

The July 28, 2004, meeting of the Aeronautics Commission was called to order by Chairman Sidney Adams at 10:05 a.m. He acknowledged the attendance of Mike Trout, President of the Michigan Association of Airport Executives, and Larry Bowron, Airport Manager, W.K. Kellogg Airport in Battle Creek.

II. COMMISSION/ BUSINESS:

Director Abent outlined the first item of business, a vote on the minutes of May 26, 2004.

A. Minutes of May 26, 2004

Chairman Adams entertained a motion to approve the minutes of May 26, 2004.

Whereupon, a motion was made by Commissioner Smith, with support from Commissioner Greenblatt, to approve the minutes of the meeting of May 26, 2004.
MOTION CARRIED.

Proceeding to the next item of business, Director Abent asked that the Chairman consider the 14 projects meeting funding criteria.

The Chairman called on David Baker, Funding Manager, to present the 14 projects for Commission approval.

B. Airport Development Program

With the aid of slides, Mr. Baker provided an overview of the 14 projects pending approval.

Federal/State/Local and State/Local Projects

| Location | Total Allocation | Project Description |
|----------|------------------|---------------------|
|----------|------------------|---------------------|

| | | |
|--|--------------|--|
| W. K. Kellogg Battle Creek | \$ 534,000 | Construction of ARFF trainer storage facility |
| W. K. Kellogg Battle Creek | \$ 207,000 | Supplemental for construction of 13/31 resurfacing and taxiway widening to include rehabilitation of shoulder and replacement of MIRLs |
| Antrim County Bellaire | \$ 242,105 | Supplemental for animal control fencing |
| Delta County Escanaba | \$ 375,000 | Snow removal equipment (loader and blower/broom) |
| Dow Memorial Frankfort | \$ 165,790 | Supplemental for land acquisition |
| Fremont Municipal Fremont | \$ 25,000 | Supplemental for land acquisition |
| Hastings City/Barry County Hastings | \$ 214,517 | Land acquisition |
| Gogebic-Iron County Ironwood | \$ 40,000 | Supplemental funding for passenger parking lot |
| Muskegon County Muskegon | \$ 1,578,947 | Supplemental for land reimbursement, environmental assessment, RSA improvements, animal control fencing |
| Mackinac County St. Ignace | \$ 50,000 | Supplemental for construction of paved shoulders for runway 7/25 |
| Paul C. Miller-Sparta Sparta | \$ 27,000 | Supplemental for taxi street construction |
| Cherry Capital Traverse City | \$ 3,000,000 | Construct ARFF building, Phase I |
| Statewide | \$ 40,000 | Memo of agreement with MDEQ |
| Statewide | \$ 4,900 | Supplemental for windsocks, runway marking cones, and door locks |

On questioning from Commissioner Everman, Mr. Baker explained that the project to reconstruct the parking lot at the Gogebic County Airport (Ironwood) would bring the airport into compliance with Transportation Security Administration requirements for commercial service airports.

With respect to the statewide memorandum of understanding with the Department of Environmental Quality, Mr. Baker pointed out that staff of the DEQ review permits for MDOT

projects and bill against the job number established. The amount requested will replenish funds needed for this service.

Whereupon, Commissioner Kraft made a motion to approve the 14 transfers presented by Mr. Baker.

Commissioner Greenblatt inquired whether the nine supplemental transfers consisted entirely of cost overruns.

Mr. Baker responded that supplemental transfers may be applied to projects that have been expanded and/or combined to save money. Oftentimes, when discretionary funding is anticipated, the project will be started with entitlement dollars and constructed in phases, with discretionary funding supplementing its completion.

The Chairman asked for a second to the motion to approve the 14 transfers.

At this juncture, Director Abent noted for the record that the Chairman had asked to be recused from voting on the 14 transfers to avoid the perception of a conflict of interest. Chairman Adams currently serves as a member of the W.K. Kellogg Airport Advisory Committee.

Whereupon, Commissioner Greenblatt seconded the motion proposed by Commissioner Kraft to approve the transfer of funds for the 14 projects identified.

By voice vote, the MOTION CARRIED.

Director Abent noted the inclusion of seven supplemental transfers contained in the Reports Section of the Commissioners' notebooks.

The Chairman again called on Mr. Baker to brief the Commission on the seven supplemental projects.

The seven supplemental transfers summarized by Mr. Baker are as follows:

1. Huron County Memorial Airport, Bad Axe: A ten (10) percent increase resulting from bids coming in higher than anticipated, thereby increasing the total project cost to \$425,250.
2. Mason County Airport, Ludington: A nine (9) percent increase, resulting from additional apron work being required for project completion, thereby increasing the total project cost to \$172,200.

3. Price Airport, Linden: A twelve (12) percent increase, resulting from additional apron work being required for project completion, thereby increasing the total project cost to \$1,610,688.
4. Cherry Capital Airport, Traverse City: A five (5) percent increase, resulting from the costs of the gates and controls coming in higher than engineer's estimate, thereby increasing the total project cost to \$2,335,763.
5. Dupont-Lapeer Airport, Lapeer: A one (1) percent increase, resulting from additional consultant costs required to complete appraisals and surveys, acquisition, and closing costs required for purchase of properties, thereby increasing the total project cost to \$445,450.
6. Dowagiac Municipal Airport, Dowagiac: An eight (8) percent increase, resulting from additional design engineering to relocate the connector taxiway for runway safety area improvements, thereby increasing the total project cost to \$54,000.
7. Grosse Ile Municipal, Grosse Ile: A fifteen (15) percent increase, resulting from higher than anticipated bids, thereby increasing the total project cost to \$2,411,850.

With respect to the supplemental for the Huron County Airport, Commissioner Kraft noted that the increase was due, in part, to a rise in material costs as well as the need to update the Environmental Impact Statement.

Mr. Baker added that the DEQ is taking a harder look at the impact on wetlands.

The Chairman noted that no official action is required on the supplemental transfers.

With the Chair's permission, Director Abent called on Air Service Specialist Matt Brinker to present the next item on the agenda.

III.

DISCUSSION

A. Michigan Air Service Highlights

Mr. Brinker's report on the air carrier industry is paraphrased as follows:

The airline industry is experiencing some degree of recovery post 9-11. In the second quarter of 2004, the airline industry combined lost approximately \$500 million, less than half that of the same quarter in 2003.

With some exceptions, air service throughout Michigan has followed the industry trend of gradual recovery. Only four of Michigan's 17 air carrier airports reported lower total enplanements, the rest have increased over 2003 numbers.

Mr. Brinker cautioned that if the industry continues to rebound, problems associated with air travel prior to September 11 will resurface; i.e., congestion at Chicago O'Hare, delays at LaGuardia, and issues unrelated to jump-starting the industry.

Some of the major carriers continue to experience difficulty. United is still pursuing federal loan guarantees, and Delta is seeking concessions from their employees to avoid bankruptcy. Staff are keeping a close eye on these developments.

Across the state of Michigan, enplanements are up approximately seven percent, with Detroit Metro reporting an increase of 11 percent.

Pellston Regional Airport, he noted, has grown at a tremendous pace following the construction of a new terminal facility. Within the past two years, Pellston has gone from having no jet service and sharing all of their flights with other communities to having dedicated flights with as many as seven daily frequencies using regional jets.

Commissioner Kraft inquired as to the duration of the increase in frequencies. Mr. Brinker explained that Pellston, by virtue of its location, has always been a seasonal market (approximately 80 percent of enplanements occur in June, July and August); however, based on its widespread acceptance, jet service has developed into a year-round operation. Staff are hopeful that this trend will continue and provide a stable market for the airline.

Enplanements are up as well at Capitol City Airport in Lansing. On July 17, a new, low-cost air carrier, Independence Air, launched its inaugural flight. The airline will offer seven daily nonstop frequencies to Washington Dulles. In addition, Pinnacle Airlines, a Northwest affiliate, announced it would provide a similar service four times a day to Dulles. This will provide ready access to Washington, D.C., at a relatively low cost.

Embraer has located its maintenance facility for regional jets at the Ford International Airport in Iron Mountain. This has enabled the airport to increase its jet service to Chicago O'Hare to three frequencies daily. Jet service to Chicago was available prior to this year but only on a single frequency basis.

At Ford Airport in Iron Mountain, Midwest Connect, a relatively new carrier, provides service to Milwaukee with three frequencies daily. During the first two quarters of 2004, passenger traffic increased 43 percent, as compared to the first two quarters of 2003. This growth is largely attributable to a 99 percent flight completion rate and a 75 percent on-

time rate during that same period. Iron Mountain is almost where they were, enplanement-wise, when compared to the two previous years.

The US DOT has agreed to subsidize operations at the Delta County Airport in Escanaba (one of four subsidized airports in Michigan) under the Essential Air Service program. This ensures a basic level of service until 2006. In terms of dollars, the subsidy amounts to just under \$300,000.

For several years, staff of the bureau have been assisting the Muskegon County Airport to secure jet service. On June 10th of this year, Pinnacle Airlines began service to Detroit. This is the first frequency scheduled since deregulation in 1978. Mr. Brinker noted that Northwest Airlines has committed to a six-month program in attempts to make the service self-supporting. Staff of the bureau are hopeful that Muskegon will develop similarly to Pellston. This service was made possible through a Small Community Air Service development grant and a state Air Carrier Recruitment and Retention grant.

Mr. Brinker concluded that many other positive developments are taking place in Michigan. He invited questions from the Commissioners.

The Chair thanked Mr. Brinker.

Whereupon, Director Abent asked for the Chair's consent to proceed with a presentation on the Wilderness Airpark.

The Chairman called on Rick Hammond, Manager, Airports Division.

B. Wilderness Airpark

Mr. Hammond explained the issue, dating back some two years, concerns a small, privately owned, open-to-the-public airport in western Michigan known as Wilderness Airpark. Approximately two years prior, owners of the facility approached the bureau with a complaint that neighbors of the airport were allowing trees to grow and encroach on the airport. Several attempts had been made to reach a compromise but to no avail. Owners of the airport were advised that in accordance with the Michigan Aeronautics Code, trees growing in the approach may be declared a public nuisance; that any expenses associated with such a declaration are the sole responsibility of the owner. The owners of the airport initiated legal action and succeeded in having the trees declared a nuisance. The judge in the case found in favor of the airport and ordered the obstructions removed. Mr. Hammond praised the ruling, as it will provide, on a case by case basis, the means for airports to resolve similar disputes.

Commissioner Greenblatt praised the efforts of Attorney Rick Durden, who represented the airport in this action and brought the case to a successful conclusion.

The Chairman thanked Mr. Hammond.

With the Chair's consent, Director Abent asked that the Commission entertain public comment from the audience.

Chairman Adams opened the floor to comment from the public.

IV. PUBLIC COMMENT

Michael Trout, President of the Michigan Association of Airport Executives, thanked the Commission for deciding to hold its September meeting in Kalamazoo in conjunction with the MAAE Fall Conference. Adjustments have been made to the conference agenda to accommodate the Commission meeting on Wednesday, September 15. The conference, which will be held the week of September 13-15, provides an opportunity for airport managers and aviators from around the state to network with the Commissioners. The conference will be held at the Radisson Plaza Hotel in downtown Kalamazoo. He invited the Commissioners to participate in the many activities planned throughout the week. He recognized Sean Brosnan, Vice President of the MAAE, also seated in the room.

Mr. Trout went on to say that Flint-Bishop Airport is presently the fastest growing airport in the country, with numbers up 30 percent from a year ago. The airport expects to recognize its one millionth passenger in November. He acknowledged the support of the Commission and the Federal Aviation Administration.

Larry Bowron, Airport Manager, W.K. Kellogg Airport, appeared on behalf of Larry Yoder, Manager, David's Airfield, to thank the Commission for windsocks and windcones.

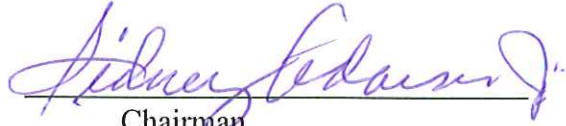
Chairman Adams opened the floor for comment from the Commission.

Hearing no further comments, and there being no further business, the Chairman declared the meeting adjourned at approximately 10:50 a.m.

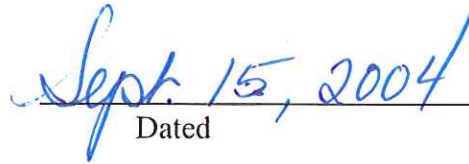
The September meeting of the Michigan Aeronautics Commission will be held at the Radisson Center, 100 West Michigan Avenue, Kalamazoo, on Wednesday, September 15, 2004, commencing at the hour of 10:00 a.m.



Director



Chairman



Dated

